

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6377

BILL NUMBER: SB 189

NOTE PREPARED: Dec 22, 2011

BILL AMENDED:

SUBJECT: New Employer Tax Credit.

FIRST AUTHOR: Sen. Taylor

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill reduces from ten to one the number of qualified employees that a corporation or pass through entity must employ in order to qualify for the New Employer Tax Credit (Credit). It excludes an individual hired as a seasonal worker from the definition of "qualified employee". It also extends the credit for two years (to taxable years beginning before January 1, 2015).

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect provisions in the bill changing the New Employer Tax Credit. The DOR's current level of resources should be sufficient to implement these changes.

Indiana Economic Development Corporation (IEDC): This bill could potentially expand the pool of entities that are able to qualify for the New Employer Tax Credit. If the changes to the bill increase tax credit applications, the IEDC could potentially incur additional administrative expenses.

Explanation of State Revenues: *Summary* - The bill could potentially increase the pool of applicants eligible for the New Employer Tax Credit beginning in tax year 2013. The bill also extends the tax credit by two years by changing the expiration date from December 31, 2012, to December 31, 2014. These changes could potentially reduce revenue from the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax beginning in FY 2014, but the impact is unknown.

Background Information - The New Employer Tax Credit is for a new or existing corporation or pass through entity that employs at least 10 qualified employees as a result of locating a new business enterprise in Indiana, relocating an existing business enterprise from another state to Indiana, or expanding an existing business enterprise in Indiana after December 31, 2009. The tax credit must be approved by the IEDC. The tax credit is equal to 10% of the wages paid each month to qualified employees for a period of 24 consecutive months following the credit approval by the IEDC and during which time the corporation or pass through entity complies with all the credit requirements. If a corporation or pass through entity approved for credits fails to employ at least 10 qualified employees or comply with other credit requirements during the 24-month period, the credit ceases and cannot be claimed for wages paid after that point. The IEDC may approve applications for credits until January 1, 2013.

The credit is nonrefundable, but unused credits may be carried forward for up to 9 years. Unused credits may not be carried back. The credit may be applied against AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax liabilities. Revenue from these taxes is distributed to the state General Fund.

The IEDC indicates that while they do receive inquiries about the New Employer Tax Credit, they have not received any applications for the credit. This may be because businesses may choose the EDGE tax credit instead of the New Employer Tax Credit. The EDGE credit is available for employers adding at least 35 employees and is a refundable tax credit. The New Employer Tax Credit has not been awarded to any companies creating 10 to 34 new jobs, even though they do not qualify for the EDGE tax credit.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

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